

Before the
Federal Communications Commission
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matters of

Responsible Accounting Officer)
Letter 20, Uniform Accounting)
for Postretirement Benefits)
Other Than Pensions in Part 32)
Amendments to Part 65, Interstate)
Rate of Return Prescription)
Procedures and Methodologies,)
Subpart G, Rate Base)

CC Docket No. 96-22

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COMMENTS OF SOUTHWESTERN BELL TELEPHONE COMPANY

Southwestern Bell Telephone Company ("SWBT") hereby files its Comments on the Commission's Notice of Proposed Rulemaking ("NPRM")¹ in this proceeding.

I. BACKGROUND

The Commission's NPRM describes Part 65 Rule changes to define the interstate rate base for OPEBs. As SWBT noted in September, 1991, proper implementation of FAS-106 accounting requires rule changes.

On September 20, 1991, SWBT filed its Notification of Intent to Adopt a Change in Accounting Standards regarding FAS-106 accounting.² In that 1991 Notice, SWBT stated that proper

¹ FCC 96-63, CC Docket No. 96-22, released March 7, 1996.

² SWBT Notification of Intent to Adopt a Change in Accounting Standards, In the Matter of Notification of Intent to Adopt a Change in Accounting Standards Pursuant to Part 32 of the Commission's Rules to Permit Implementation of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions and Request for Approval of a Change in Parts 32 and 65 of the Commission's Rules, filed September 20, 1991 (the "1991 Notice"). See also GTE Notice of Intent, In the Matter of Notification of Intent to

implementation of FAS-106 accounting in the Commission's rules and procedures required changes to both Part 32 and Part 65 rules.³

At that time, however, the Commission chose to implement FAS-106 accounting without any of the needed rule changes. The Commission's December 1991 FAS-106 Adoption Order⁴ contained no rule changes even though the intent of that order was to ensure proper accounting. In response to a number of local exchange carrier ("LEC") questions regarding how the Commission expected LECs to implement FAS-106 bookings absent the needed rule changes, the Commission released an interpretation of its accounting and rate base rules, i.e., RAO 20.⁵

II. The NPRM Confirms that the Investigation Into LECs' FAS-106 Exogenous Adjustments Should Be Closed.

The absence of rule changes in the FAS-106 Adoption Order caused confusion and a lack of uniform accounting direction on new bookings. Thus, the nature of the FAS-106 Adoption Order required the Commission to subsequently issue RAO 20. RAO 20 attempted to

Adopt a Change in Accounting Standards Pursuant to Part 32 of the Commission's Rules to Permit Implementation of Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, filed September 25, 1991.

³ SWBT presented a list of recommended Part 32 and Part 65 changes in Attachment A to its 1991 Notice.

⁴ In the Matter of Notification of Intent to Adopt Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, Order, AAD 91-80, 6 FCC Rcd 7560 (1991) ("FAS-106 Adoption Order").

⁵ Uniform Accounting for Postretirement Benefits Other Than Pensions in Part 32, 7 FCC Rcd 2872 (1992).

provide the needed direction and uniformity in the form of new interpretations that modified the then-existing rules governing accounting and rate base treatment. Thus, the effect of RAO 20 was to change the rules without a rulemaking proceeding.⁶

These Commission decisions not to amend the rules implemented FAS-106 accounting in such a way so as to complicate exogenous treatment of FAS-106. The Commission apparently relied on the absence of a rule change when it originally ruled on the exogenous treatment of OPEBs.⁷

Clearly, the FAS-106 change in accounting was an exogenous event under the rules in place at the time the accounting change was mandated by the Financial Accounting Standards Board and the Commission. SWBT's price cap indexes should have been allowed to increase by the amount of the increased accounting costs required to be reflected on SWBT's interstate accounting books. SWBT recommends that the Commission promptly conclude its numerous investigations into the LECs' FAS-106 exogenous adjustments by closing these investigations and finding that there has been no

⁶ Application of the Commission's rules regarding exogenous treatment would have been much simpler had the Commission adopted Part 32 and Part 65 rule changes in 1991 or 1992. This is because, at the time, the applicable price cap rules governing exogenous treatment for AT&T and LECs contained language specifically acknowledging the need for exogenous treatment of changes in Part 32 accounting rules (USOA amendments). However, the Commission specifically avoided making any such amendments.

⁷ See, In the Matter of Treatment of Local Exchange Carrier Tariffs Implementing Statement of Financial Accounting Standards, "Employers Accounting of Postretirement Benefits Other Than Pensions," Memorandum Opinion & Order, CC Docket No. 92-101, 8 FCC Rcd 1024 (1993).

showing that the LECs' proposed price cap adjustments were unlawful.

III. Conclusion

With the enormous task of implementing the Telecommunications Act of 1996⁸ just beginning, carriers and the Commission cannot afford a lengthy regulatory process evidenced by the Commission's actions in RAO 20 and related proceedings.

This entire proceeding could have been avoided if the Commission had changed the rules at the outset, as SWBT had asked. In order for the industry to move forward quickly and efficiently under the Telecommunications Act of 1996, necessary rule changes must be adopted on a prompt, up-front and even-handed basis.

In conclusion, the proposed rule changes proposed in the NPRM should be adopted promptly.

Respectfully submitted,

SOUTHWESTERN BELL TELEPHONE COMPANY

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⁸ Pub. L. No. 104-104, 110 Stat. 56, enacted February 8, 1996.

CERTIFICATE OF SERVICE

I, Liz Jensen, hereby certify that the foregoing
Comments of Southwestern Bell Telephone Company, in CC
Docket No. 96-22, have been served this 12th day of April,
1996 to the Parties of Record.

Liz Jensen
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April 12, 1996

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